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March 24, 2000

TO INTERESTED PARTIES:

JAMES E. SPEED
Executive Director

UPDATE OF ASSESSORS' HANDBOOK SECTION 504,
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Enclosed is a matrix summarizing Board staff's proposed changes to Assessors' Handbook Section 504 (AH 504), *Assessment of Personal Property and Fixtures*. Generally, the proposed changes reflect recent revisions to the Revenue and Taxation Code and Title 18 of the California Code of Regulations (Property Tax Rules). The shaded items on the matrix are other changes that staff believes to be minor.

Interested parties are asked to submit any proposed revisions to the text presented in the matrix by **April 28, 2000**. The proposed revisions should be in the form of alternative text and should reference an item number on the enclosed matrix and/or an AH 504 page number. Staff will review the suggested changes submitted and incorporate into the draft those that are deemed appropriate. A second matrix will be distributed in May, if necessary.

The updated draft of AH 504 is currently scheduled to be presented to the Property Tax Committee on June 14, 2000. Any unresolved wording differences between interested parties will be presented to the Committee for resolution at that meeting. It is not anticipated that an interested parties meeting will be held regarding this project.

If you have any questions regarding the enclosed matrix or the update of this handbook section, please contact Mara Determan or Ladeena Ford at (916) 324-5839 or determan&ford@boe.ca.gov. If you need a copy of the current handbook section for reference, it is available on the Board's Web site (www.boe.ca.gov) or may be purchased from the Property Taxes Department at (916) 445-4982. Staff appreciates your continuing cooperation in the revision and updating of the Assessors' Handbook.

Sincerely,

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ: md/lf

**UPDATE OF AH 504, ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES
STAFF'S PROPOSED REVISIONS**

ITEM	Page <i>December 1998</i>	Proposed Revision	Comments
1.	Cover	Update publication date, Board members, and Executive Director at time of adoption.	Altered to reflect current update of handbook.
2.	Footers	Change "December 1998" to "June 2000" upon approval	Altered to reflect current update of handbook.
3.	Foreword 5 th paragraph Last sentence	"The Board <u>originally</u> approved this manual on December 10, 1998. <u>This update of the manual was approved by the Board on June 14, 2000.</u> "	Addition to reflect current update of handbook
4.	Table of Contents	Update based on revisions.	Altered to reflect current update of handbook.
5.	Page 3 1 st paragraph	"...personal property and fixtures , as it differs from real property, <u>and fixtures.</u> "	Minor correction
6.	Page 5 2 nd paragraph 1 st sentence	Change "person" to "persons".	Minor correction. To conform quote to law.
7.	Page 7 3 rd paragraph 1 st sentence	"Pursuant to <u>the</u> California Constitution..."	Minor correction
8.	Page 8 4 th paragraph 2 nd sentence	"...located on the real property <u>on the lien date</u> and is assessed to the person or entity which owned the real property on the lien date. "	Minor correction
9.	Page 8 4 th paragraph 3 rd sentence	Add hyphen in "cross securing."	Minor correction
10.	Page 11 1 st paragraph 2 nd sentence	"... law requires that land, improvements (including fixtures), <u>possessory interests, and/or</u> personal property, <u>and other classes of property (as defined by the State Board of Equalization)</u> must have separately..."	Minor correction
11.	Page 11 2 nd paragraph Quote	Add: "(h) The assessed value of <u>possessory interests.</u> "	Minor correction.
12.	Page 11 2 nd paragraph 1 st sentence	"... on the roll must be classified as (1) land, which is all real property except improvements, (2) improvements, (3) possessory interests, or (3 4) personal property, <u>or any other things required by the board. (Add footnote)</u> Added footnote: <u>"Section 602(l). Per section 20, the word "board" means the State Board of Equalization."</u>	Minor correction

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13.	Page 11 3 rd paragraph 1 st sentence	"Each classification of separately enrolled property is defined..."	Minor correction
14.	Page 11 3 rd paragraph 2 nd sentence	" <u>Some of the</u> The definitions are summarized here...."	Minor correction.
15.	Page 11 3 rd paragraph Last sentence	Delete "Examples are included as necessary for clarification."	Minor correction. No examples are listed.
16.	Page 12 2 nd paragraph 1 st sentence	"...improvements should be subcategorized <u>subclassified</u> as structure items..."	Minor correction
17.	Page 18 2 nd paragraph 1 st sentence	"...partitions, and service station fixtures, <u>and liquefied petroleum gas tanks (propane tanks)</u> . These categories"	Rule 153. (See LTA 2000/003)
18.	Page 19 2 nd paragraph 2 nd sentence	"Each component should be identified, tested, and categorized <u>classified</u> ."	Minor correction
19.	Page 19 3 rd paragraph 1 st sentence	"...service stations and their appropriate categorization <u>classification</u> as proposed by industry."	Minor correction
20.	Page 19 Footnote	" Categorization <u>Classification</u> recommendation supplied by the ..."	Minor correction
21.	Page 20 1 st paragraph	<p>Add:</p> <p><u>Classification of Liquefied Petroleum Gas Tanks</u></p> <p><u>Liquefied petroleum gas tanks, commonly referred to as propane tanks, may be classified as personal property or fixtures. The determination must be made on a case by case basis depending upon the facts available. The three tests for determining whether an article is a fixture (i.e., physical annexation, constructive annexation, and intent), as discussed earlier in this chapter, should be considered and applied by the appraiser in order to make this determination.</u></p> <p><u>For example, if the tank and related equipment cannot be removed without material damage to real property and the intent "manifested by outward</u></p>	Rule 153.

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		<u>appearances" or historic usage indicates that the property will remain indefinitely, the property should be classified as a fixture. If, on the other hand, the intent of the owner is to move the property and use it at other locations the property should be classified as personal property. Again, the determination must be made based on the facts available in each individual situation.</u>	
22.	Page 20 4 th paragraph 2 nd sentence	Italicize "machinery".	Minor correction
23.	Page 20 4 th paragraph 6 th sentence	Change "Laundromats" to "laundromats".	Minor correction
24.	Page 23 After 1 st question	<p>Add:</p> <p><u>ARE OAK BARRELS USED IN THE MANUFACTURING OF WINE (OR BRANDY) ELIGIBLE FOR THE BUSINESS INVENTORY EXEMPTION?</u></p> <p><u>Yes. It has been scientifically proven that particles of chemical components of oak barrels transfer to wine (or brandy) during the aging process, adding flavor, aroma, and color. This enhancement process is the primary purpose for aging wine (or brandy) in oak barrels. While oak wine barrels are used as a raw material, to impart the flavor and aroma enhancing chemical compounds of the oak into wine (or brandy), they should be considered business inventory. (See Rule 133(a)(2)(B).)</u></p> <p><u>No. An oak barrel used in the manufacturing process is not eligible for the business inventory exemption when it is not, or no longer, used to impart the flavor and aroma of the oak into the wine (or brandy). The oak barrel is merely for storage of wine and subject to assessment as property used in the "ordinary course of business." (See Rule 133(a)(2)(B).)</u></p>	Rule 133. (See LTA 99/63.)

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25.	Page 24 1 st question Following 1 st paragraph of answer	Add: "A "nonprofessional service" is generally defined as a vocation requiring skill of a manual or mechanical nature. Courts tend to classify a "nonprofessional service" as a business as opposed to a profession. Examples may include barbers, carpenters, and plumbers."	Minor correction. "Nonprofessional service" was not defined.
26.	Page 24 1 st question Last sentence	Delete: "Following are criteria that can be used to distinguish between a profession or 'professional service' and a 'nonprofessional' service or enterprise."	Minor correction.
27.	Page 25 Agricultural Enterprises 2 nd question	Add "(See Rule 133(a)(2)(D).)"	Rule 133.
28.	Page 29 1 st sentence	"All property taxed by the local..."	Minor correction. To conform quote to law.
29.	Page 41 3 rd paragraph	Delete quotation mark before "include". Add quotation mark before "every".	Minor correction. To conform quote to law.
30.	Page 42 2 nd paragraph last sentence	Delete comma after "service".	Minor correction. To conform quote to law.
31.	Page 45 Example 6 th bullet	Delete colon following "law". Add "currently" after "...state shall be".	Minor correction. To conform quote to law.
32.	Page 46 2 nd paragraph 3 rd sentence	"...basis (less than six months <u>or less</u> or substantially shorter than ..."	Correction of Error. Rule 204.
33.	Page 46 2 nd paragraph 5 th sentence	"...long-term basis (<u>more than</u> six months or more , or for a major...."	Correction of Error. Rule 204.
34.	Page 47 1 st sentence	"...beer, <u>and</u> solvents."	Minor correction.
35.	Page 47 6 th paragraph 3 rd sentence	Change "Act" to "act".	Minor correction
36.	Page 49 1 st sentence	"As mentioned above <u>earlier</u> , an appraiser's concept of value (for property) is full cash value, or..."	Minor correction

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37.	Page 49 2 nd sentence	Change "asset" to "asset's".	Minor correction
38.	Page 50 Footnote	Add "capable of" after "Substitute property".	Minor correction. To conform quote to law.
39.	Page 52 2 nd paragraph	<p>"...Rule 6 and Rule 10 defines these costs as including labor, material, entrepreneurial services, interest on borrowed or owner-supplied funds, <u>freight or shipping costs, installation costs, sales or use tax,</u> and "other costs typically incurred in bringing the property to a finished state (or to a lesser state if unfinished on the lien date). (Add Footnote) As discussed in Rule 10 levels of trade include production, wholesale distribution, and retail, or consumer. With the exception of property leased for a period of less than six months by an assessee who is also the producer, wholesaler, property is to be valued at the consumer level of trade."</p> <p>Added Footnote: <u>"Except personal property leased for a period of six months or less (Rule 10(c)) and for certain liquefied petroleum gas tanks as provided by Rule 153."</u></p>	Rule 10 and Rule 153. (See LTA 2000/002, 2000/003.)
40.	Page 53 Indirect costs, 3 rd bullet	Delete parenthesis before "for construction...".	Minor correction
41.	Page 56 End of Example	Add "= Total Cost" and " = \$445,000" to equations.	Minor correction
42.	Page 59 1 st paragraph	"Additional A adjustments may <u>also</u> be appropriate when non-property items have been included in a purchase contract. Extended service plans, or <u>extended</u> warranties, supplies, <u>or</u> other purchased assets or business services may have been included in the purchase contract. An adjustment may be appropriate for the fair market value of these assets. <u>In addition,</u> the effect on the purchase price for any included financing should also be considered and an adjustment made, if appropriate."	Rule 10. (See LTA 2000/002.)
43.	Page 59 Table	Change "Non-property items" to " 'Other' assets or business services included in purchase contract."	Rule 10
44.	Page 60 1 st sentence	Delete hyphen in "trade-level".	Minor correction
45.	Page 60 Quote	"...level. <u>Accordingly, tangible personal property shall be valued by procedures that are consistent with the general policies set forth herein.</u> "	Rule 10

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46.	Page 60 Footnote	"Fixtures, and other real property, should be assessed at the appropriate stage of production as discussed in AH 501, <i>Basic Appraisal</i> (September 1997), page 13. As discussed in AH 501, <i>Basic Appraisal</i> (September 1997), page 113; although Rule 10 addresses the trade level principle for personal property specifically, the principle of trade level applies to all property."	Rule 10.
47.	Page 60 Example	Delete hyphen in "trade-level".	Minor corrections (3)
48.	Page 61 1 st sentence	"Basically a As illustrated seen above in Example 4.2, the trade_level concept...."	Minor corrections
49.	Page 61 2 nd paragraph 7 th sentence	Italicize <i>transfer price</i> ."	Minor correction
50.	Page 62 1 st sentence	Delete hyphen in "trade-level".	Minor correction.
51.	Page 63 1 st paragraph Last sentence	"The quantity discount allowed the manufacturer, when it is its own largest customer, should be at least as large as its largest external wholesale or retail customer."	Rule 10.
52.	Page 64 1 st sentence	Delete hyphen in "trade-level".	Minor correction
53.	Page 64 1 st paragraph Last sentence	Change "data is" to "data are".	Minor correction
54.	Page 64 2 nd paragraph 2 nd sentence	Change "manufacturer" to "manufacturer's".	Minor correction
55.	Page 65 1 st sentence	Add hyphen to "value-added."	Minor correction
56.	Page 65 Last paragraph 1 st sentence	Add comma after "incurred by the market".	Minor correction
57.	Page 65 Last sentence	"The lessor would then be considered the consumer pursuant to subdivisions (d) and (e) (c) of Rule 10."	Rule 10.
58.	Page 66 1 st paragraph Last sentence	Delete hyphen in "trade-level".	Minor correction.

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59.	Page 70 2 nd paragraph Last sentence	"Additionally, Board staff provides tables to be used in the valuation of computers, related equipment, and semi-conductor manufacturing equipment, <u>biopharmaceutical industry equipment and fixtures</u> , and state assessed properties." (Add footnote) Added footnote: " <u>In years 1997, 1998, and 1999 valuation tables for computer related and semi-conductor manufacturing equipment were are updated and distributed via <i>Letters To Assessors</i>. Beginning in year 2000, the valuation tables were included in AH 581. The "interim" biopharmaceutical industry valuation tables, effective January 1, 1999, were distributed via LTA 99/54.</u> Index factors for state assessed properties are available upon request."	Update according to AH 581 2000.
60.	Page 70 3 rd paragraph 1 st sentence	Italicize "trend factor."	Minor correction
61.	Page 70 Last paragraph 1 st sentence	"...index factors published and provided by the Board are designed, and are attempting , to estimate..."	Minor correction
62.	Page 71 3 rd paragraph 5 th sentence	Add comma after "(excluding the minor changes discussed earlier)."	Minor correction
63.	Page 72 3 rd paragraph 1 st sentence	Change "percent good tables" to "percent good factors".	Minor correction
64.	Page 73 2 nd paragraph	Delete: "Similarly, the computer valuation tables computed and published by the Board via Letters To Assessors (LTA's) are based on market sampling." Add footnote: " <u>Computer valuation tables published in AH 581 were distributed via Letters to Assessors (LTAs) prior to year 2000.</u> "	Update according to AH 581 2000.
65.	Page 74 1 st paragraph 1 st and 2 nd sentence	"... same amount of income to be earned in the distant future); € Thus it tends..."	Minor correction

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66.	Page 74 3 rd paragraph Last sentence	"...and thus will understates the value of a property if net operating income is comparable to a new replacement property, and will overstates the value..."	Minor correction
67.	Page 75 2 nd paragraph 1 st sentence	"...appropriate, for excess capacity which affecting <u>s</u> value, information..."	Minor correction
68.	Page 78 3 rd paragraph 1 st sentence	"The comparative sales approach <u>is used less often than is the cost approach</u> and is limited in its application to personal property and business fixtures, and is used less often than is the cost approach to value , because (1) most types of personal property and business fixtures are resold infrequently (limited sales data are available), (2) sales data, when available, are generally limited by comparability, and (3) in many cases , personal property and business fixtures are <u>frequently</u> not sold without affecting other property (whether real or personal property).	Minor correction.
69.	Page 79 Table	" <i>Official Guide - — Tractors and Farm Equipment</i> "	Minor correction
70.	Page 83 3 rd paragraph 2 nd sentence	Delete "for."	Minor correction
71.	Page 83 5 th paragraph 3 rd sentence	"...over the term of the lease, which can be valued <u>estimated</u> as the present value of an annuity; and (2) a reversionary payment representing the estimated market value of the property at the end of the lease, which can be valued <u>estimated</u> as the present value ..."	Minor correction
72.	Page 88 1 st paragraph Last sentence	"... and <u>or</u> fixtures, as discussed below."	Minor correction
73.	Page 88 Last paragraph Last sentence	Change "Chapter 6" to "Chapter 7".	Change based on AH 581 2000.
74.	Page 89 3 rd paragraph 2 nd sentence	Change "Chapter 6" to "Chapter 7".	Change based on AH 581 2000.
75.	Page 90 1 st quote	Move period outside of parenthesis.	Minor correction

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76.	Page 90 2 nd paragraph Last sentence	Italicize "constructive annexation."	Minor correction
77.	Page 91 1 st paragraph 2 nd sentence	"This schedule It provides valuable information and may be used by both auditor-appraisers and real property appraisers."	Minor correction
78.	Page 94 Last paragraph Following (3)	Add "the" after "way in which".	Minor correction. To conform quote to law.
79.	Page 94 Last paragraph End of quote	Add "or any substitution of a new fixture" at end of sentence/quote.	Minor correction. To conform quote to law.
80.	Page 95 1 st sentence	"...from the definitions above . <u>Underground storage tanks that must be improved or replaced to comply with federal, state, and local regulations shall not be considered new construction. These tanks shall be considered to be replaced for normal maintenance and repair.</u> " (Add footnote) Added footnote: " <u>Section 70(e).</u> "	Per SB 933, Chapter 352. Amendment to section 70(e) of Revenue and Taxation code.
81.	Page 95 2 nd paragraph 2 nd sentence	Change "original capacity" to "original <u>productive</u> capacity".	Minor correction. To conform quote to law.
82.	Page 95 4 th paragraph 2 nd sentence	"...(3) county health permits required for some types of construction, <u>or (4) a lease agreement.</u> "	Minor addition.
83.	Page 98 Insert before last paragraph	Add: <u>"As a general rule, whether short-term or extended-term leases, if improvements are constructed on leased land, and the ground lease provides that the lessee has the right to remove the improvements at the end of the lease term per Civil Code section 1013, the "owner" of the improvements is presumed to be the ground lessee. On the other hand, if the lease states that the ground lessor retains ownership of the improvements at the end of the lease term (and the ground lessee has no right of removal), the "owner" of the improvements is the ground lessor."</u>	Minor addition.

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84.	Page 102 2 nd paragraph	Insert as footnote to sentence ending "...by the Board of Equalization." "As of year 2000, state chartered credit unions are exempt from paying the bank and corporate in-lieu franchise tax (section 23701y). Therefore, state chartered credit unions no longer appear on the <i>Confidential List of Banks and Financial Corporations</i> . Assessors need to independently evaluate, on a case by case basis, whether these entities qualify as a financial corporation for assessment purposes. The personal property of those qualifying as financial corporations remains exempt from property tax."	Change based on SB 934, Chapter 675.
85.	Page 105 2 nd paragraph Last sentence	Change "above" to "earlier".	Minor correction
86.	Page 106 2 nd Paragraph	"A comprehensive discussion of exemptions is not appropriate for this section of located in the Assessors' Handbook 267, <i>Welfare, Church and Religious Exemptions</i> . Reference to exemption handbook sections and code sections governing exemptions (sections 202 et. seq., 203, 214 et. seq.) is <u>also</u> necessary to determine whether equipment leased to qualifying entities is <u>deemed automatically</u> eligible or if a claim must be filed.	Minor correction
87.	Page 107 4 th paragraph 1 st sentence	"...short-term basis (defined as a period of <u>six months or less</u> less than 6 months) are <i>short-term leases</i>"	Correction of Error. Rule 204
88.	Page 107 5 th paragraph 1 st sentence	"...lease whose duration is <u>more than</u> six months or more , or for"	Correction of Error. Rule 204
89.	Page 108 1 st paragraph 3 rd sentence	Delete "above".	Minor correction
90.	Page 108 2 nd paragraph 1 st sentence	Change "above" to "earlier".	Minor correction
91.	Page 108 2 nd paragraph 1 st sentence	Change "his" to "his/her".	Minor correction.
92.	Page 110 4 th paragraph	"Under extended-term leases (<u>more than</u> six months or more), the lessee..."	Correction of Error. Rule 204.

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	3 rd sentence		
93.	Page 110 4 th paragraph Last sentence	"In short-term leases or rentals (less than six months <u>or less</u>), the lessor is"	Correction of Error. Rule 204.
94.	Page 111 2 nd paragraph 4 th sentence	Delete hyphen in "trade-level".	Minor correction
95.	Page 112 2 nd paragraph Last sentence	"...important to correctly categorize <u>classify</u> building and leasehold improvements..."	Minor correction
96.	Page 113 Quote	Change "which" to "that".	Minor correction. To conform quote to law.
97.	Page 114 Quote	Add commas before and after the phrase "but not limited to". Add comma after "inventory control".	Minor corrections. To conform quote to law.
98.	Page 114 3 rd paragraph Last sentence	Change "person" to "persons".	Minor correction. To conform quote to law.
99.	Page 118 Footnote 189	Change "Section 575." to "Section 575 of the Vehicle Code."	Minor correction.
100.	Page 119 Add new section after "Containers"	<p>Add:</p> <p><u>LIQUEFIED PETROLEUM GAS TANKS</u></p> <p><u>To promote assessment uniformity of liquefied petroleum gas tanks (commonly referred to as <i>propane tanks</i>), Rule 153 was adopted regulating the assessment and valuation of liquefied petroleum gas tanks. Rule 153 defines <i>liquefied petroleum gas tanks (LPG tanks)</i>, includes guidelines to determine if the property is leased or rented, identifies the ultimate consumer of the tanks, and describes valuation procedures. An LPG tank is defined as:</u></p> <p style="padding-left: 40px;"><u>...a tank used as a means of storage, delivery, or transfer of liquefied petroleum gas products. The term also includes related equipment, apparatus, gauges and meters, attached to or installed on the tank. (Added Footnote 1)</u></p>	Rule 153.

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		<p><u>The LPG tank defined is considered leased or rented "if the purchaser of the liquefied petroleum gas is required to pay: (1) sales or use tax measured by the purchase price or a separately stated lease or rental price of tank; or (2) installation fees or charges, maintenance fees or charges, rent, or any other separately stated periodic charge on the LPG tank." The ultimate consumer of the tank is determined based on the length of the lease (Added Footnote 2) or, if not leased or rented, the ultimate consumer of the property is considered to be the owner of the tank. Once the ultimate consumer is defined, the assessor can value the tank accordingly.</u></p> <p>Added Footnote 1: <u>Rule 153(a).</u></p> <p>Added Footnote 2: <u>A lessee or renter is the ultimate consumer of the tanks if the property is leased or rented for an extended period over six months (Rule 153(c)(1)). The owner of the LPG tanks is the ultimate consumer of the tanks if the property is leased or rented for six months or less (Rule 153(c)(2)).</u></p>	
101.	<p>Page 119 Add new section after "Liquefied Petroleum Gas Tanks"</p>	<p>Add:</p> <p><u>OAK BARRELS</u></p> <p><u>Oak barrels are often used in the manufacturing of wine or brandy. This property may be assessable in certain circumstances; however, in many cases oak barrels qualify as business inventory.</u></p> <p><u>Rule 133 states, in part, that "business inventories" include:</u></p> <p><u>(B) New and used oak barrels used in the manufacturing process that physically incorporate the flavor- and aroma-enhancing chemical compounds of the oak into wine or brandy to be sold, when used for this purpose. However, an oak barrel is no longer business inventory once it loses the ability to impart the chemical compounds that enhance the flavor and</u></p>	Rule 133

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		<p><u>aroma of the wine or brandy. An "oak barrel" used in the manufacturing process is defined as having a capacity of 212 gallons or less. Oak barrels not used in the manufacturing process but held for sale in the ordinary course of business are also considered business inventory.</u></p> <p><u>When the oak barrels qualify as business inventory as indicated by Rule 133, the property is exempt from taxation.</u></p>	
102.	Page 120 3 rd paragraph	<p>Add the following footnote after "...with the tax collector.": <u>"The assessor must mail Board prescribed forms to owners of racehorses although the assessee file the forms with the tax collector (Rule 1045(a)(2)). The assessor must also audit the records of any racehorse owner who had a gross liability that exceeds \$2,000 for each of four consecutive years pursuant to Rule 1045."</u></p>	Rule 1045. Not previously covered in AH 504.
103.	Page 120 Last quote	Capitalize "Such".	Minor correction. To conform quote to law.
104.	Page 121 2 nd sentence	Change "of only" to "only of".	Minor correction. To conform quote to law.
105.	Page 122 Insert new section before "Possessory Interests" discussion	<p>Add:</p> <p><u>BIOPHARMACEUTICAL INDUSTRY EQUIPMENT AND FIXTURES</u></p> <p><u>Effective January 1, 1999, the Board adopted guidelines pertaining to the assessment of specific property owned and/or used by the biopharmaceutical industry. (Footnote: LTA 99/54) The biopharmaceutical industry is defined as:</u></p> <p><u>Firms engaged in research and/or manufacturing activities that use organisms, or materials derived from organisms, and their cellular, subcellular, and molecular components to discover and/or provide products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living organisms to develop and/or produce commercial products, as</u></p>	New interim guidelines for biopharmaceutical industry equipment and fixtures (LTA 99/54).

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		<p><u>opposed to conventional pharmaceutical activities, that make use of chemical compounds to develop and/or produce commercial products. Firms engaging in agriculture, animal husbandry, and pharmaceutical delivery in the area of research and/or manufacturing are specifically excluded.</u></p> <p><u>The guidelines adopted by the Board include direction regarding reporting of equipment and fixtures on property statements (i.e., Form 571-L), a sample listing of equipment covered by the guidelines, and a suggested valuation table for use in mass appraisals of reported equipment. When appraising property owned and/or used by a biopharmaceutical company, reference to LTA 99/54 for specific information is helpful.</u></p>	
106.	Page 125, Footnote 204	"There are several types of property statements, all prescribed by the Board, based on the type of property: business property, agricultural property, apartments, vessels, aircraft, etc. <u>Most of these property statements are prescribed by the Board.</u> "	Minor correction of misstatement.
107.	Page 129 2 nd paragraph 1 st sentence	"...health permits, <u>documents filed with the Secretary of State,</u> and ..."	Minor correction.
108.	Page 129 Quote 2 nd sentence	Change "which" to "that". Add commas before and after the phrase "upon request of the assessor".	Update of section 441.
109.	Page 129, Footnote 214	" <u>Property statements should be filed with the assessor between the lien date (January 1) and 5 p.m. on April 1. A late penalty applies if the statement is filed after May 7. In general, the deadline is the last Friday in May, each year, or a date determined by the assessor (but no earlier than April 1). (If an assessor designates a filing date other than the last Friday in May, a late penalty cannot be imposed unless certain requirements are met by the assessor as described in section 441.)</u> "	Section 441 and 463. (AB 704, Chapter 334 effective 01/01/2000.)

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110.	Page 129 4 th paragraph	Add the following text after "...under section 441" and footnote 219: " <u>If a property statement is filed by May 7, as required by section 441, a property owner may amend the statement for errors or omissions that were not the result of willful intent to erroneously report until May 31.</u> "	Section 441 and 463.
111.	Page 129 5 th paragraph 1 st sentence	"....the property statement by the deadline <u>May 7</u> , the assessor..."	Section 441 and 463.
112.	Page 136 3 rd paragraph 1 st sentence	Italicize "machinery".	Minor correction
113.	Page 140 Quote	"If any person who is required by law or is requested by the assessor to make an annual property statement fails to file it <u>an annual property statement with the assessor by 5 p.m. on the last Friday in May, or if, after written request by the assessor, any person fails to file an annual property statement</u> within the time limit specified by Section 441 or make and subscribe the affidavit respecting his <u>or her</u> name and place of residence, a penalty of 10 percent of the assessed value of the unreported taxable tangible property of such <u>that</u> person placed on the current roll shall be added to the assessment made on the current roll. . . ."	Section 441 and 463.
114.	Page 141 3 rd paragraph 1 st sentence	"When a property statement is processed, resulting in <u>classes (Add footnote) of (1) personal property...</u> " Added footnote: " <u>For purposes of section 155.20, "class" is defined as a statutory class of property or other class of property separately enrolled and designated by the board of supervisors as eligible for exemption.</u> "	Related to section 155.20
115.	Page 143 1 st paragraph 1 st sentence	"...earlier, "property statements" for and taxation of racehorses are unique and are treated differently than are other type of personal property. (Footnote 235) Most significantly, as provided in section 5782, these property statements <u>Board prescribed forms, AH 571-J, Annual Racehorse Tax Return</u>), provided by the assessor are filed with the tax collector"	Minor correction. Correction of misstatement.

**UPDATE OF AH 504, ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES
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116.	Page 144 4 th paragraph	Add the following footnote after "...each four-year period." <u>"Audits of racehorse owners are also required, pursuant to Rule 1045, when the taxpayer had a gross tax liability that exceeds \$2,000 for each of four consecutive calendar years."</u>	Rule 1045. Not previously covered in AH 504.
117.	Page 148 Table Section 532	Change "applied" to "applies".	Minor correction
118.	Page 148 Table	Add: <u>"Rule 1045 <i>Administration of the Annual Racehorse Tax</i>. Discusses assessors', tax collectors, and auditors' responsibilities concerning the racehorse tax. Requires the assessor to audit the records of any racehorse owner who had a gross tax liability that exceeds \$2,000 for each of four consecutive calendar years."</u>	Rule 1045. Not previously covered in AH 504.
119.	Page 148 1 st paragraph 2 nd sentence	Change "most impartial" to "best".	Minor correction. Based on recent update to the Board's <i>Sales and Use Tax Audit Manual</i> .
120.	Page 148 2 nd paragraph Last sentence	"...this audit is being <u>these audits are</u> done for"	Minor correction
121.	Page 149 Last paragraph	<u>"...each four-year period. For any racehorse owner who had a gross tax liability that exceeds \$2,000 for four consecutive calendar years, Rule 1045 requires an audit within 5 years of the date on which the annual tax first became due."</u>	Rule 1045. Not previously covered in AH 504.
122.	Page 152 2 nd paragraph 3 rd sentence	Change "above" to "earlier".	Minor correction
123.	Page 160 1. General Ledger	Delete comma after "accounts".	Minor correction
124.	Page 160 4 th paragraph	Delete hyphen in "trade-level".	Minor correction
125.	Page 160 Last paragraph	"...answer the following questions listed below:"	Minor correction

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126.	Page 168 Last paragraph	" <u>Following is an example of a format used for this comparison is shown below:</u> "	Minor correction
127.	Page 170 1 st paragraph Last sentence	Delete "the".	Minor correction
128.	Page 171 3 rd paragraph 3 rd sentence	"...the net result. <u>If there are differences, the</u> The findings should"	Minor correction
129.	Page 172 Footnote 260	"Sections 469 and 1605 provide that a <u>mandatory</u> audit resulting in an ..."	Minor correction to provide clarification.
130.	Page 174 Footnote 263	Change "155.2" to "155.20".	Minor correction.
131.	Page 177 2 nd paragraph Insert before last sentence	"Absent such notice, no escape assessment may be levied and if levied is <u>invalid and void.</u> "	Minor correction to provide clarification.
132.	Page 177 4 th paragraph 1 st sentence	Change "section" to "sections".	Minor correction
133.	Page 183 Quote	Change "work papers" to "workpapers".	Minor correction. To conform quote to law.
134.	Page 184 2 nd paragraph 2 nd sentence	"....property, in general <u>appeal</u> applications for assessments on the"	Minor correction
135.	226 <i>Dennis v. County of Santa Clara</i>	"...either buyer of <u>or</u> seller...."	Minor correction
136.	Page 229	" <i>San Diego, County of v. Assessment Appeals Bd...</i> "	Minor correction
137.	Page 233	Glossary terms sorted in alphabetical order.	Minor correction
138.	Page 235 Confidence Interval	"Describes the limits on <u>of</u> accuracy of an inference. <u>This precision interval is a statistical measure of the inability to predict the true population error because the test is based on a sample rather than a consensus.</u> "	Minor correction. Based on recent update to the Board's <i>Sales and Use Tax Audit Manual</i> .

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ITEM	Page <i>December 1998</i>	Proposed Revision	Comments
139.	Page 235 Confidence Limits	Change "level" to "interval".	Minor correction. Based on recent update to the Board's <i>Sales and Use Tax Audit Manual</i> .
140.	Page 236 Extended Term Lease	"Lease with duration of <u>more than</u> six months or more"	Correction of Error. Rule 204.
141.	Page 237	Glossary terms sorted in alphabetical order.	Minor correction
142.	Page 240 Sales Tax	Change "...purchases and seller..." to "...purchaser and seller...".	Minor correction
143.	Page 241 Short-Term Lease	"...or other short-term basis (defined as a period of less than 6 <u>six months or less</u>)."	Correction of Error. Rule 204.
144.	Page 241 Stratification	Change "purposed" to "purpose".	Minor correction
145.	Page 241 Taxable Value	Add the following text at the end of the definition: " <u>For personal property, the full cash value on the lien date.</u> "	Minor correction. Define term as related to Personal Property
146.	Page 242	Glossary terms sorted in alphabetical order.	Minor correction
147.	Page 242 Use Tax 1 st line of definition	Change "purchases" to "purchaser".	Minor correction
148.	Page 244 Bibliography	"California State Board of Equalization, Sales & Use Tax Manual, October 1985 <u>September 1999</u> ."	Minor correction